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ANNUAL PROGRAMME BUDGET:

2000

ADDENDUM 2 - REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

GE.99-04294

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations High Commissioner for Refugees, entitled "UNHCR Annual Programme Budget" (A/AC.96/916 and Add.1). The Committee had also before it a conference room paper on revisions of the UNHCR Financial Rules (EC/49/SC/CRP.25), incorporating amendments resulting from decisions of the Executive Committee and changes introduced to implement recommendations made by the United Nations Board of Auditors, as well as efforts to realign them with the United Nations Financial Rules. During its consideration of these matters, the Committee met with representatives of the High Commissioner who provided additional information.

2. The report of the High Commissioner and its related addendum presents for the first time a consolidated annual programme and budget for UNHCR in accordance with the recommendations of the Advisory Committee (A/AC.96/900/Add.3), as approved by the Executive Committee. The Committee recalls that, as indicated in the budget prototype examined by the Advisory Committee (EC/49/SC/CRP.5), the initial annual programme budget document for the year 2000 would be transitional and would contain elements of the old and new format. The Committee commends the office of the High Commissioner for the preparation of the present unified budget document, following its previous recommendations (see A/AC.96/916, Annex 1).

3. As previously noted in its report A/AC.96/900/Add.4, paragraph 3, budget documents should continue to be streamlined and improved in the light of the experience gained. Accordingly, the Committee recommends that in the next budget presentation greater attention be paid to ways and means of reducing the size of the document. This could be accomplished, for example, by a substantial reduction of Part II, which contains eight chapters on regional operations. In this connection, upon enquiry, the Committee was informed that a logical place for this information (but not in the detail that it was presented in the Annual Programme Budget) would be the UNHCR Global Appeal 2000; this document bases itself on the Annual Programme Budget in that it sets out to mobilize resources for the budget approved by the Executive Committee. The more detailed information, namely Outputs, Measurable Indicators, etc. could appear on UNHCR's Website where all its programmes for the year 2000 are described.

4. The Advisory Committee trusts that in future, with the introduction of new cost categories in UNHCR's support budget (see para. 17 below), the annual programme budget would do away with a large number of tables and narratives dealing with programme categories no longer relevant under the unified budget approach being followed. Furthermore, what could be inferred from the tables should not be repeated in the narratives. These narratives should be concise and more focused, and wherever possible, graphs and charts should be used in lieu of narratives. The reduction of the document by some two-thirds of its current volume would reduced its production cost and facilitate its review by the ACABQ and approval by the Executive Committee of the High Commissioner's Programme. Moreover, a smaller document produced to reflect information and data available as of a date later than 31 May might obviate the need for an addendum containing data as of 1 August. This question should also be examined.

5. The Advisory Committee commends the Office of the High Commissioner for its efforts to select measurable indicators of performance, as those shown in

Part II of the document. The Committee was informed that a system to monitor programme objectives, outputs and performance indicators would ultimately be computerized and linked to the new financial system currently under development. The Committee welcomes the trend and will comment further on the subject in the light of the outcome of the streamlining exercise indicated above.

6. The overall population of concern to UNHCR naturally fluctuates and has decreased marginally in 1998 as compared to 1997. As indicated in paragraph 22 of the report, as at the end of 1998, there were some 21.5 million persons of concern to UNHCR, comprising 11.5 million refugees, 1.9 million returned refugees or "returnees", 1.3 million asylum-seekers and 6.7 million of certain specific groups, including internally displaced persons. The corresponding number for 1997 was 22.4 million (A/AC.96/900/Add.3, para. 3). Indicative populations of concern to UNHCR in 1998 are shown by region and country in Annex 2 to document A/AC.96/916.

7. The Advisory Committee notes that the refugee case load and related activities has continued to decrease in various geographical regions (A/AC.96/916, paras. 53-58). In the Americas region, for example, during 1997 to 2000, UNHCR has closed 10 offices and reduced staffing in the field by 40 percent (A/AC.96/916, para. 57). The updated report (addendum) indicates that this reduction is offset by an increased caseload in other regions (Kosovo, for example).

Resources and expenditures

8. As indicated in table II.2 and II.10 and paragraphs 41-42 of document A/AC.96/916, in 1998 total funds available to UNHCR under all sources of funds amounted $1,009.6 million, including the contribution of $23.3 million from the United Nations regular budget. Total expenditure in 1998 amounted to $863.8 million (including United Nations regular budget expenditure of $23.3 million). In 1998, $105 million was spent at headquarters (12 per cent) and $758.8 million in the field (88 per cent). The Advisory Committee notes from Statement I (income and expenditure and changes in reserves and fund balances) of the audited financial statements for the year ended 31 December 1998 for voluntary funds administered by UNHCR that total expenditure amounted to $842.2 million against total income of $783.6 million, reflecting a shortfall of income over expenditure of $58.6 million. The Advisory Committee recalls that in document A/AC.96/900/Add.2, para. 8, UNHCR estimated that the income shortfall in 1998 would amount to only $45.8 million.

9. The Committee requests that in the future the terminology and amounts provided in the budget report be consistent and correspond with amounts stated in the financial statements when dealing with a completed financial period. In addition, in the budget document resource income should be broken down in its various components (i.e., voluntary contributions, interest income, currency exchange adjustments, other/miscellaneous, etc.), as shown in Statement I of the UNHCR's accounts.

10. For 1999, as at 1 August 1999, revised income projections under all sources of funds amount to $895.3 million and revised expenditure projections to $1,173.9 million (including $19.7 million under the United Nations regular

budget), reflecting an income shortfall of $158.8 million (A/AC.96/916/Add.1, revised table II.8), an increase of $100.2 million since 1998.

11. For the year 2000, as indicated in revised tables II.1 and II.3 of document A/AC.96/916/Add.1, initial projections of total resource needs amount to $933.6 million, comprising an annual programme of $903.2 million (including $82.1 million for the operational reserve), resources of $20.4 million from the United Nations regular budget and $10 million from the Junior Professional Officers programme.

12. The Advisory Committee notes that the projected needs for the year 2000 are presented in the context of a continuing trend in the downsizing of UNHCR operations in a number of geographical regions as indicated in paragraph 5 above. The total initial resource needs for 2000 of $933.6 million are estimated at some $240.3 million lower than the revised funding requirements for 1999 of $1,173.9 million (see A/AC.96/916/Add.1, revised table II.8). Representatives of the High Commissioner assured the Committee that all known requirements have been included in the proposed annual programme. In the view of the Committee, the presentation of one consolidated annual programme budget combined with an operational reserve means that a realistic estimate of needs is critical.

13. In this connection, the Advisory Committee notes the statement in paragraph 29 of document A/AC.96/916 that "the first and most fundamental objective of this exercise was to identify those activities which UNHCR felt were absolutely essential and which only UNHCR could and should pursue." Furthermore, in paragraph 30, it is stated that "this document already reflects a first prioritization exercise." Under the circumstances, and taking into account the experience in 1998 and the projections for 1999, the Committee has concluded that, based on the current situation, the estimates are realistic (see paras. 32 - 33 below).

14. The representatives of the High Commissioner expressed the hope that the new integrated approach would not lead to problems regarding timely contributions both for the annual and supplementary programmes. In this connection, the Committee reiterates its view that "the new programme classification will not necessarily lead to more resources, but it should enable Member States to have a more accurate picture of what is likely to be the overall resources required for the coming year" (A/AC.96/900/Add.3, para. 34).

15. For the year 2000, as indicated in paragraph 11 above, the operational reserve is set at $82.1 million or 10 per cent of total programme activities of $821.1 million. In the view of the Advisory Committee, the viability of the operational reserve depends on its financing. The approval by the Executive Committee of the level of $82.1 million should be accompanied by a deliberate management decision to ensure that the reserve has sufficient liquid assets available in case of need. The Committee notes that the proposed financial rule 6.6 requires that the reserve shall at all times have not less than $10 million by replenishment from the Working and Capital Guarantee Fund. Another prudent procedure, the Committee believes, would be to have the reserve replenished on a regular basis as contributions are received after the Annual Appeal. The Committee is of the view that this

should be facilitated by the availability of carry over of resources from previous financial periods (see A/AC.96/916, Table II.10).

16. The Committee was informed that the proposed financial rules have been cleared by the Audit Service of the Office of Internal Oversight Services of the United Nations. The Committee recommends that in the next annual programme document information be presented on the performance and liquidity of the reserve.

The Support budget

17. As indicated in paragraphs 8-10 of the report, the support cost categories of Management and Administration and Programme Support are introduced into the annual programme budget for the first time. The Advisory Committee notes that, as requested by the Committee, an attempt has been made to take into account work done by other funds and programmes of the United Nations (e.g., UNDP, UNICEF, UNFPA and others) on the harmonization of budget presentations. The Committee welcomes these changes but believes that further improvements should be implemented to correct various shortcomings of the report as indicated below.

18. The initial 2000 estimates for the Support budget amount to $248.3 million, comprising $172.0 million for the field and $76.3 million for headquarters ($192.4 million for Programme Support and $55.9 million for Management and Administration). The headquarters estimates of $76.3 million ($20.4 million for Programme Support and $55.9 million for Management and Administration) includes $20.4 million under the United Nations regular budget but excludes the cost of the regional bureaux and liaison units at headquarters, estimated at $15.5 million, which was included in the field estimates (see A/AC.96/916, paras.744-745 and A/AC.96/916/Add.1, revised table XII.1).

19. Revised table II.11 shows overall post requirements of 4,760 posts for the year 2000 (691 for headquarters and 4,069 for the field), as at 1 July 1999. For the 1999 revised budget, 4,529 posts are required (691 at headquarters and 3,838 in the field), as compared to 4,769 posts in 1998 (731 at headquarters and 4,038 in the field).

20. As indicated in paragraph 746 of the report, the initial total cost estimates for headquarters for 2000 excluded the cost of 139 programme support posts in regional bureaux and liaison offices at headquarters; only 551 headquarters posts were included in the estimate for headquarters. Had the cost of the regional bureaux and liaison units posts at headquarters ($15.5 million) been included in the estimates, the headquarters budget would have amounted to $91.8 million ($35.9 million for Programme Support and $55.9 million for Management and Administration) (see A/AC.96/916/Add.1, revised table II.1). For 1999, the revised estimates for headquarters amount to $92.7 million, including $19.7 million under the United Nations regular budget (see A/AC.96/916, tables II.17 and II.18).

21. The Advisory Committee requests that in future presentations of the budget, UNHCR include the cost of all posts at headquarters locations in the estimates for the headquarters budget and simplify the presentation of table II.1. This could be accomplished by following a similar presentation as that

of the harmonized budgets of various funds and programmes for their resource and post requirements (see, for example, E/ICEF/1999/AB/L.7, tables 3 and 4).

22. The estimate for global operations amount to $49.3 million for the year 2000 (A/AC.96/916/Add.1, revised table II.1). These are defined in paragraph 33 of document A/AC.96/916 as those activities that are budgeted at headquarters, but are for the benefit of UNHCR as a whole. Comparable 1998 expenditure was $32.3 million and in the revised 1999 budget amount to $45.8 million and are referred to as Other Programmes (A/AC.96/916, table XI.2). Projected staff costs under global operations for 2000 amount to $7.4 million (A/AC.96/916, table XI.5). Upon request, the Advisory Committee was provided with details of staffing costs under global operations for the initial 2000 budget, the 1999 revised budget and 1998 expenditure (see Annex I to this report).

23. The Advisory Committee notes from table XI.1 of document A/AC.96/916 that the initial estimate of $49.3 million for global operations include $3.1 million for resettlement projects and $0.5 for voluntary repatriation. The Committee sought clarification as to why some or all of the activities listed in table XI.1 could not be carried out in the field and managed from there. The Committee was informed that, as can be seen from the descriptions of the various projects, most of them deal with individual refugees; for reasons of economy and efficiency, they are administered either regionally or from Headquarters. Major repatriation and resettlement operations are included in the respective country budgets.

24. The Committee also notes that by the end of the year 2000, an estimated amount of $2.3 million would have been spent since 1998 on the development and dissemination of documentation databases of the Centre for Documentation and Research (CDR) (see also A/AC.96/916, paras. 586-589). In this regard, the Committee was informed that these are primarily for the use of UNHCR staff. Each staff member, because of the Ref World CD, has available on their desktop all necessary information related to refugee matters. To enable UNHCR to discharge its mandate more effectively, it is important that the information on this CD is also made available to immigration authorities, immigration lawyers, the judiciary, etc. who might be involved in hearing/determining refugee status claims. UNHCR currently has 500 external subscribers for the CD. For example, INS (USA) has 125 subscriptions; the European Commission (CIREA) has decided that the "country of origin" component should be the standard for all its member countries in refugee status determination matters. These subscriptions generate some $100,000 annually.

25. On the question of cost for documentation and publications, the Advisory Committee notes that from paragraph 585 of the report that an amount of $1 million under global operations is estimated for the publication of "the State of the World refugees" for 1998-2000. The Committee does not question the value of this publication or the value of such publications as the Global Report on refugees. The Committee believes, however, that cost effectiveness should be a continuing concern and recommends that UNHCR identify areas of economy without affecting in any way the primary objectives of documentation and publications. This review should also involve the examination of the most appropriate method of disseminating published information, including electronic means, both to the developed donor community and to the developing

countries where the infrastructure for electronic dissemination may not yet be available.

26. The Advisory Committee notes that due to the introduction of new categories of support cost, it is difficult to compare the estimates of the support budget for the year 2000 with those for 1999 and 1998. Moreover, this difficulty is compounded by the extent to which costs at headquarters have been affected by the restructuring of headquarters units, the exclusion of the cost of the geographical bureaux and various global activities from the estimates for headquarters in the year 2000, and the apparent deployment of operational responsibilities from headquarters to the field. The Committee trusts that the trend of cost at headquarters in relation to the field will become more apparent after the new format has been in place for a number of financial periods in the future.

27. The reorganization of headquarters is explained in chapter XII. The major change has been at the top management level by streamlining the chain of command. As regards the various organizational units, the effect of changes and streamlining of these units is not clearly explained in the document. The Advisory Committee recommends that in the future the role of the various units at headquarters involved in the implementation and management of global operations be clarified. Such clarification could assist the Committee in ascertaining the extent to which duplication of activities is been addressed through coordination and collaboration among the respective units at headquarters.

Human Resources Management

28. The Advisory Committee notes the human resources management initiatives, such as decentralization, new human resources policies and career development discussed in paragraphs 651 - 660 of document A/AC.96/916. The Committee intends to monitor progress in this area and requests that information be provided on implementation of these initiatives in the next budget submission.

Information technology

29. Information technology (IT) is discussed in paragraphs 668-680 of the report. For the year 2000, the consolidated budgets for the development of new systems amount to $17.1 million. The revised budget for 1999 is $12.3 million and expenditures reported for 1998 amount to $1.8 million. The Advisory Committee requests that in the next budget presentation, concise information be provided on the progress of the implementation of IT projects. This information need not be included in the budget document but could be presented to the Committee separately. The Committee recommends, however, that the budget report indicate time frames as well as the total costs for the various IT projects. The additional information requested by the Committee would enable it to monitor the progress and related expenditure on IT projects. In this connection, the Committee points out that the audit of UNHCR operations for 1998 revealed aspects of unrealistic planning and implementation of IT projects (see A/54/5/Add.5, paras. 99-106). As indicated by the auditors, many projects related to project Delphi have not been implemented in the time frame originally envisaged. Slow implementation

of IT projects ultimately leads to more expenditure and effects the efficiency of the operations for which the project were planned.

Staff security and training

30. The Advisory Committee notes from table XI.B of document A/AC.96/916 that provision for training for UNHCR staff would amount to $4.5 million, as compared to $4.7 million in the revised estimates for 1999 and $5.7 million spent in 1998. No detailed provisions for each training programme are shown in the document. In the revised budget for 1999 the provision for security awareness is relatively modest and shows a decrease from the amount spent in 1998. In the view of the Advisory Committee, there is a need to strengthen inter-agency collaboration and coordination in all aspects of staff security services to promote uniform training standards and requirements, such as equipment.

31. In this connection, the Advisory Committee recalls that in its report A/54/7, paragraph VIII.39, on the proposed programme budget of the United Nations for the biennium 2000-2001, the Committee requested that the Secretary-General provide precise information in his next budget submission on the results of the implementation of security and safety objectives set out in paragraph 27D.16 of the proposed programme budget, including the development of a unified command concept with other United Nations headquarters, regional commissions, funds and programmes and a common service approach to the delivery of security services. Moreover, the Committee indicated the need to prepare a comprehensive expert survey of security needs of United Nations facilities and the capacity of the organization to address them, together with an indication of the related resource requirements. The Committee requested that the report on security needs be submitted to it in the spring of 2000.

Conclusion

32. In paragraph 13 above, the Committee has concluded that the projections for 2000 are realistic and has therefore not proposed any adjustment of the programme budget. This view is based on current conditions under which the annual programme and budget has been prepared and has also taken into account the expenditure for 1998 and projected revised requirements for 1999. However, it is the view of the Committee that if there are no substantial changes in the circumstances under pinning the formulation of the annual programme and budget, less expenditure might be required for 2000 in a number of UNHCR activities. Notwithstanding possible fluctuation in case-load, the Committee believes that many current UNHCR activities, under various objects of expenditure, can be implemented more economically and efficiently, thus realizing considerable savings even after taking into account many of the unique and special factors that affect UNHCR operations.

33. The Board of Auditors has identified many of these areas that could benefit from greater efficiency and budget control. They relate for example to more effective project management about which during 1998 alone, some $13.51 million was refunded by implementing partners consequent upon liquidation of projects (A/54/5/Add.5, para. 75). The administration's performance in planning, design and timely implementation of IT Systems need to be improved. Now that an annual programme has been prepared, there is

need to correlate more accurately staff resources and the level of operations both at Headquarters and in the field. In the view of the Committee, procurement, the dissemination of information and asset management all call for greater effort on the part of UNHCR management to ensure that control systems under development are finalized expeditiously so as to bring about more efficient use of human and other resources. The Committee trusts that in managing the 2000 annual programme and budget, these concerns and other issues raised by the Board of Auditors would be taken fully into account.

GLOBAL OPERATIONS - DETAILS OF STAFF COSTS

ACTIVITY	TOTAL	Breakdown by Object of Expenditure			
		Posts	Temporary Assistance	Consultants	Overtime
2000 INITIAL BUDGET					
Department of International Protection					
Resettlement - Field Support	115.0		115.0		
Department of Operations					
Emergency Prepard. & Resp Sect.	1,309.4	1,295.3	14.1		
*(13 posts - 7P & 6 GS)					
Operations Managt. System	162.0		29.4	132.2	0.4
Division of Resource Management					
Voluntary Separation	1,600.0		1,600.0		
Special Staff Costs	1,800.0		1,800.0		
Development of New Systems	1,979.2		907.4	1,069.6	2.2
Others (Develp. of Field Systems)	228.8			228.8	
Training	245.1		48.2	196.9	
TOTAL for 2000 Budget	**7,439.5**	**1,295.3**	**4,514.1**	**1,627.5**	**2.6**
1999 REVISED BUDGET					
Department of International Protection					
Resettlement - Field Support	165.0		165.0		
Department of Operations					
Emergency Prepard. & Resp Sect.	1,265.0	1,265.0			
*(13 posts - 7 P & 6 GS)					
Operations Managt. System	175.0		30.0	145.0	
Division of Resource Management					
Vol Separation & Sp Staff Costs	3,000.0		3,000.0		
Development of New Systems	1,124.4		688.4	436.0	
Others (Develp. of Field Systems)	303.4			303.4	
Training	313.0		79.8	233.2	
TOTAL for 1999 revised budget	**6,345.8**	**1,265.0**	**3,963.2**	**1,117.6**	**-**
1998 EXPENDITURE					
Department of International Protection					
Resettlement - Field Support	71.9		71.9		
Department of Operations					
Emergency Prepard. & Resp Sect.	1,489.6	1,444.1	45.5		
*(14 posts - 7 P & 7 GS)					
Operations Managt. System	439.6		329.9	109.7	
Division of Resource Management					
Vol Separation & Sp Staff Costs	3,855.3		3,855.3		
Development of New Systems	780.3		197.0	583.3	
Others (Develp. of Field Systems)	364.7		20.0	344.7	
Training	502.2	91.1	411.1		
TOTAL for 1998 Expenditure	**7,503.6**	**1,535.2**	**4,930.7**	**1,037.7**	**-**

* Number of posts as at 1 January